

825 NE Multnomah
Portland, Oregon 97232



May 14, 2004

Paul Clanon
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: PacifiCorp Comments – Draft Resolution E-3866

Dear Paul:

By letter dated March 11, 2004, the Securities and Exchange Commission ("SEC") requested that the California Public Utilities Commission ("Commission") certify to the SEC that the Commission has the ability to protect PacifiCorp's customers if the SEC grants the expanded financing authority requested by Scottish Power in its U-1 financing application. On May 6, 2004, the Energy Division of the Commission issued draft Resolution Number E-3866 ("Draft Resolution") declining to certify that the Commission has the ability to protect PacifiCorp's customers if the SEC grants the expanded financing authority requested by Scottish Power. The Energy Division requested comments on the Draft Resolution by May 26, 2004. PacifiCorp respectfully submits the following comments in response to the Draft Resolution:

The Energy Division set forth three findings in the Draft Resolution indicating its concern with making the requested certification to the SEC.

Finding No. 5 states: "Increased leveraging by Scottish Power could lead to higher financing costs to PacifiCorp."

Finding No. 6 states: "The Commission may not be able to protect ratepayers should Scottish Power be forced into bankruptcy."

Finding No. 7 states: "Although the Commission has broad power under California law, given the magnitude of potential adverse consequences of the increased investment authority, this power may not be sufficient to protect PacifiCorp's utility assets and customers."

In order to address the Energy Division's concerns as set forth in Finding Nos. 5, 6 and 7, PacifiCorp offers the following three conditions:

PacifiCorp Comments – Draft Resolution E-3866

1. After December 31, 2004, PacifiCorp shall not make any distribution to Scottish Power that will reduce PacifiCorp's common equity capital below 40 percent of total PacifiCorp capital without Commission approval. The Commission Staff and PacifiCorp may reexamine this minimum common equity percentage as financial conditions or accounting standards change, and may request that it be adjusted.
2. Scottish Power and PacifiCorp agree that in future Commission proceedings, they will not seek a higher cost of capital than that which PacifiCorp would have been authorized on its own. Specifically, no capital financing costs (either debt or equity) should increase by virtue of the fact that PacifiCorp merged with Scottish Power.
3. PacifiCorp recognizes the holding in *Pacific Gas & Electric Company v. People of the State of California*, 350 F.3d 932 (9th Cir. 2003) as the current state of the law with respect to the Commission's jurisdiction pursuant to California Public Utilities Code Section 851 in the event of a bankruptcy of Scottish Power plc or PacifiCorp. As to this third condition, we note that the merger conditions approved in D.99-06-049 (Mimeo at pp. 18 – 19) already contain the following condition: "If PacifiCorp sells or transfers its California distribution system, ScottishPower and PacifiCorp agree that PacifiCorp will first apply for an order of the Commission authorizing such sale in accordance with Public Utilities Code Section 851."

If the Commission accepts PacifiCorp's offer as set forth in these comments and issues a Resolution that certifies to the SEC that the Commission has the ability to protect PacifiCorp customers if the SEC grants the expanded financing authority required by Scottish Power, PacifiCorp hereby commits to file a petition to modify D.99-06-049, as amended by D.99-10-059 to add these three conditions.

PacifiCorp appreciates the opportunity to submit comments on the Draft Resolution. If you have further questions or concerns, please do not hesitate to contact Don Furman at (503) 813-5525, Christy Omohundro at (503) 813-6092 or Natalie Hocken at (503) 813-7205.



Don Furman

Senior Vice President, Regulation and External Affairs

cc: CPUC Commissioners
Service List
Jerry Royer
Kayode Kajopaiye
Gurbux Kahlon
Arocles Aguilar
Elizabeth McQuillan

CERTIFICATE OF SERVICE

I, the undersigned, declare that I am employed in the County of Contra Costa, California, that I am over the age of eighteen years and not a party to the within action. My business address is 1500 Newell Avenue, Fifth floor, Walnut Creek, CA 94596.

On May 14, 2004, I placed a true copy of the document described as **PACIFICORP COMMENTS ON DRAFT RESOLUTION E-3866** attached hereto, into an envelope addressed to each of the persons named below, which I then sealed and deposited in the appropriate place for mail collection at my office. In addition, I electronically served this document on the service list. I am familiar with the regular business practices at my office, pursuant to which such envelopes will be collected today, affixed with prepaid postage, and deposited today with the United States Postal Service at Walnut Creek. The envelopes were addressed as follows:

SEE ATTACHED SERVICE LIST

Executed on May 14, 2004, at Walnut Creek, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.



Christine Dable

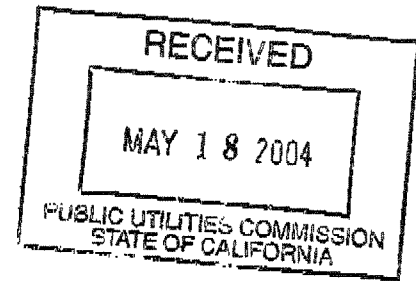
Legal Assistant to William H. Booth

825 NE Multnomah
Portland, Oregon 97232



May 18, 2004

Paul Clanon
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102



RE: PacifiCorp Supplemental Comments – Draft Resolution E-3866

Dear Paul:

As a supplement to its comments filed with the California Public Utilities Commission on May 14, 2004 in response to the Draft Resolution, PacifiCorp submits these supplemental comments. The purpose of the supplemental comments is to modify condition number 1, offered in order to address the Energy Division's concerns as set forth in Finding Nos. 5, 6 and 7 of the Draft Resolution.

PacifiCorp requests that condition no. 1 be modified as follows:

1. Effective as of the date of this Resolution, PacifiCorp shall not make any distribution to Scottish Power that will reduce PacifiCorp's common equity capital below 40 percent of total PacifiCorp capital without Commission approval. The Commission Staff and PacifiCorp may reexamine this minimum common equity percentage as financial conditions or accounting standards change, and may request that it be adjusted.

PacifiCorp appreciates the opportunity to submit supplemental comments on the Draft Resolution. If you have further questions or concerns, please do not hesitate to contact Don Furman at (503) 813-5525, Christy Omohundro at (503) 813-6092 or Natalie Hocken at (503) 813-7205.

Don Furman
Senior Vice President, Regulation and External Affairs

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PacifiCorp Comments – Draft Resolution E-3866

Service List
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Elizabeth McQuillan

CERTIFICATE OF SERVICE

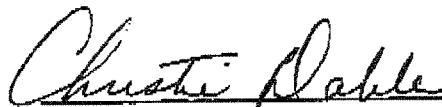
I, the undersigned, declare that I am employed in the County of Contra Costa, California, that I am over the age of eighteen years and not a party to the within action. My business address is 1500 Newell Avenue, Fifth floor, Walnut Creek, CA 94596.

On May 18, 2004, I placed a true copy of the document described as **PACIFICORP SUPPLEMENTAL COMMENTS ON DRAFT RESOLUTION E-3866** attached hereto, into an envelope addressed to each of the persons named below, which I then sealed and deposited in the appropriate place for mail collection at my office. In addition, I electronically served this document on the service list. I am familiar with the regular business practices at my office, pursuant to which such envelopes will be collected today, affixed with prepaid postage, and deposited today with the United States Postal Service at Walnut Creek. The envelopes were addressed as follows:

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Christine Dable

Legal Assistant to William H. Booth

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